



SEC

06009508

MISSION

Washington, D.C. 20549

OMB APPROVAL

OMB Number: 3235-0123

Expires: January 31, 2007

Estimated average burden  
hours per response..... 12.00

# ANNUAL AUDITED REPORT FORM X-17A-5 PART III

SEC FILE NUMBER

B-33/37

FACING PAGE

## Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/05 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

### A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Aegis InvestmentsADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) 431 S 7th St., Suite 2400

Minneapolis (City) MN (State) 55415 (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Linda Ingle (612) 336-4432  
(Area Code - Telephone Number)

### B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Ellingson & Ellingson, Ltd.  
(Name - if individual, state last, first, middle name)

5101 Vernon Ave S #501, Edina (Address) (City) MN (State) 55436 (Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

JUL 24 2006

THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of  
information contained in this form are not required to respond  
unless the form displays a currently valid OMB control number.

AB

10/21/06

# OATH OR AFFIRMATION

I, Linda Ingle, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Aegis Investments, Inc., as of December 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Linda Ingle  
Signature  
President  
Title

Julie K Olson  
Notary Public



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



**Ellingson & Ellingson, Ltd.**  
Certified Public Accountants

Erik R. Ellingson  
CPA

Erik J. (Rick)  
Ellingson  
CPA

Patti Ellingson  
CPA

Jane Ellingson  
Ehresmann  
CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROL  
REQUIRED BY SEC RULE 17a-5**

The Directors and Stockholders  
Aegis Investments, Inc.  
Minneapolis, Minnesota

In planning and performing our audit of the financial statements of Aegis Investments, Inc. for the year ended December 31, 2005, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures followed by Aegis Investments, Inc., including tests of such practices and procedures that we considered relevant to the objections stated in rule 17a-5(g),(1) in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
2. Making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principals. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

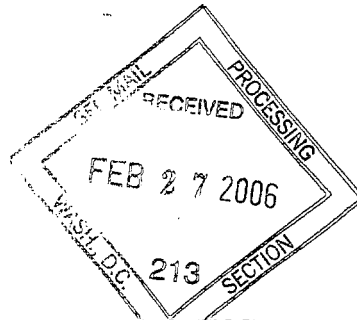
Aegis Investments, Inc.  
Minneapolis, Minnesota

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the control environment, and its operation that we consider to be a material weakness as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

*Ellingson & Ellingson, Ltd.*  
Ellingson & Ellingson, Ltd.  
Edina, Minnesota  
February 23, 2006



**AEGIS INVESTMENTS, INC.**  
MINNEAPOLIS, MINNESOTA

FINANCIAL STATEMENTS AND  
AUDITORS REPORT  
December 31, 2005

## CONTENTS

	<u>Page</u>
<b>AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Balance Sheet	2
Statement of Income	3
Statement of Changes in Stockholders' Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6-7
<b>SUPPLEMENTARY INFORMATION</b>	
Report on Supplementary Information	8
Computation of Net Capital	9
Rule 15c3-3 Reserve and Control Requirements	10



**Ellingson & Ellingson, Ltd.**

Certified Public Accountants

Erik R. Ellingson  
CPA

Erik J. (Rick)  
Ellingson  
CPA

Patti Ellingson  
CPA

Jane Ellingson  
Ehresmann  
CPA

## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors and Stockholders  
Aegis Investments, Inc.  
Minneapolis, Minnesota

We have audited the accompanying statement of financial condition of Aegis Investments, Inc., as of December 31, 2005 and 2004, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aegis Investments, Inc. as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

*Ellingson & Ellingson, Ltd.*  
Ellingson & Ellingson, Ltd.  
Edina, Minnesota

February 23, 2006

**AEGIS INVESTMENTS, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**As of December 31, 2005 and 2004**

	2005	2004
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 1)	\$ 71,428	\$ 60,744
Accounts receivable (Note 1)	9,360	12,697
Marketable securities (Note 5)	23,868	13,858
	<u>104,656</u>	<u>87,299</u>
<b>PROPERTY AND EQUIPMENT (NOTE 1)</b>		
Office equipment	12,346	12,346
Less: accumulated depreciation	(12,183)	(12,020)
	<u>163</u>	<u>326</u>
 Total Assets	 <u><u>\$104,819</u></u>	 <u><u>\$ 87,625</u></u>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accrued commissions payable	\$ 27,232	\$ 13,885
Accounts payable	484	
Income taxes payable	1,320	1,280
	<u>29,036</u>	<u>15,165</u>
 <b>COMMITMENTS AND CONTINGENCIES (NOTE 3)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, no par value, 100,000 shares authorized, 2,200 shares issued and outstanding	12,000	12,000
Retained earnings	63,783	60,460
	<u>75,783</u>	<u>72,460</u>
 Total Liabilities and Stockholders' Equity	 <u><u>\$104,819</u></u>	 <u><u>\$ 87,625</u></u>

The accompanying notes are an integral part of these financial statements.



**AEGIS INVESTMENTS, INC.**  
**STATEMENTS OF INCOME**  
**For the Years Ended December 31, 2005 and 2004**

	2005	2004
<b>REVENUES</b>	<u>\$305,200</u>	<u>\$250,799</u>
<b>EXPENSES</b>		
Commissions	218,916	168,280
Rent	28,302	21,748
Telephone	6,645	7,535
Professional fees	5,285	3,891
Licenses and fees	4,083	3,463
Office expense	2,070	2,740
Outside services	24,800	22,800
Postage and delivery	3,261	2,708
Depreciation	163	839
Quotes and cable expense	493	781
Miscellaneous	2,689	1,145
Insurance	490	472
Dues and subscriptions	3,395	3,464
Total Expenses	<u>300,592</u>	<u>239,866</u>
Income From Operations	4,608	10,933
<b>OTHER INCOME</b>		
Investment income (loss)	<u>35</u>	<u>(138)</u>
Net Income Before Provision For Income Taxes	4,643	10,795
<b>INCOME TAX EXPENSE (Note 4)</b>	<u>1,320</u>	<u>1,280</u>
Net Income	<u><u>\$ 3,323</u></u>	<u><u>\$ 9,515</u></u>
<b>Income per common share based on the weighted average of 2,200 common shares outstanding during the year (Note 2)</b>	<u><u>\$ 1.51</u></u>	<u><u>\$ 4.33</u></u>

The accompanying notes are an integral part of these financial statements.

**AEGIS INVESTMENTS, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**For the Years Ended December 31, 2005 and 2004**

	<u>Common Stock</u>		<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Earnings</u>	
Balance at January 1, 2004	2,200	\$ 12,000	\$ 50,945	\$ 62,945
Net income (loss)			9,515	9,515
Balance at December 31, 2004	2,200	12,000	60,460	72,460
Net income (loss)			3,323	3,323
Balance at December 31, 2005	2,200	\$ 12,000	\$ 63,783	\$ 75,783

The accompanying notes are an integral part of these financial statements.

**AEGIS INVESTMENTS, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Years Ended December 31, 2005 and 2004**

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss)	\$ 3,323	\$ 9,515
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	163	839
Changes in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	3,337	(2,870)
Increase (Decrease) in:		
Accrued commissions payable	13,347	2,903
Accounts payable	484	
Income taxes payable	40	1,280
Net Cash Provided by Operating Activities	<u>20,694</u>	<u>11,667</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Purchase) sale of marketable securities	<u>(10,010)</u>	<u>(13,858)</u>
Net Cash Provided (Used) By Investing Activities	<u>(10,010)</u>	<u>(13,858)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments on long-term debt		
Net Cash Used for Financing Activities		
Net Increase (Decrease) in Cash	10,684	(2,191)
Cash at Beginning of Year	<u>60,744</u>	<u>62,935</u>
Cash at End of Year	<u><u>\$ 71,428</u></u>	<u><u>\$ 60,744</u></u>
<b>Supplemental Disclosures</b>		
Cash Paid During the Year for:		
Income Taxes	<u>\$ 1,235</u>	<u>\$ -</u>
Interest Paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**AEGIS INVESTMENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2005 and 2004

**Note 1. Summary of Significant Accounting Policies**

This summary of significant accounting policies of Aegis Investments, Inc. (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles.

Business Activity -

The Company is a securities broker dealer.

Cash Equivalents -

The Company considers securities with maturities of three months or less, when purchased, to be cash equivalents.

Accounts Receivable -

The Company uses the direct write-off method for accounting for bad debts. Accounts are written off in the period in which they are considered to be uncollectible.

Property and Equipment -

Property and equipment are recorded at cost. Depreciation is computed using the straight line method for both financial reporting and income tax accounting purposes over useful lives of five or seven years.

Income Taxes -

The provision for income tax in the financial statements relates to the items of income and expenses included in such statements.

Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Concentrations of Credit Risk -

The Company does not believe that it is exposed to any significant credit risk in connection with the extension of credit to its customers. Historically, the Company has had no bad debt write offs.

Commissions -

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

**AEGIS INVESTMENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2005 and 2004

**Note 2. Earnings Per Share**

Earnings per share were computed based upon the weighted average shares outstanding. The weighted average shares outstanding at December 31, 2005 and 2004, were 2,200 common shares.

**Note 3. Commitments and Contingencies**

The Company leases office space in Minneapolis, Minnesota. The term of the lease commenced on September 1, 2003 and terminates on August 31, 2008. The Company has the option to terminate the lease on August 31, 2006 by delivering written notice along with a termination fee equal to three months of rent. The approximate aggregate minimum annual rental and lease commitments of the Company on the office lease are as follows:

December 31, 2006	\$34,583
December 31, 2007	\$35,621
December 31, 2008	\$24,208

The Company subleases a portion of this space to various individuals. The rental income received on this property was approximately \$7,744 during 2005 and \$7,668 during 2004. The subleases are cancelable by either party.

**Note 4. Income Taxes**

The income tax expense of the company consists of the following:

	2005	2004
Federal tax at statutory rate (15%)	\$ 701	\$ 1,619
State tax cost, net of Federal benefit	619	972
Tax benefit of operating loss carryforwards		(1,311)
Total provision for income taxes	<u>\$ 1,320</u>	<u>\$ 1,280</u>

**Note 5. Marketable Securities**

The Company has the following marketable securities which are classified as available for sale. The securities are recorded at fair market value which approximates cost as of December 31, 2005.

Hilton Hotels 8% Preferred Senior Bonds	\$10,188
Tennessee Valley Authority Bond	4,080
Mound, MN Tax Increment Bond	9,600



Ellingson & Ellingson, Ltd.

Certified Public Accountants

Erik R. Ellingson  
CPA

Erik J. (Rick)  
Ellingson  
CPA

Patti Ellingson  
CPA

Jane Ellingson  
Ehresmann  
CPA

**Independent Auditor's Report On Supplementary Information  
Required By Rule 17a-5 Of The Securities And Exchange Commission**

We have audited the accompanying financial statements of Aegis Investments, Inc. as of and for the year ended December 31, 2005, and have issued our report thereon dated February 23, 2006. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 9 and 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by rule 17a-5 under the Securities and Exchange Commission Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ellingson & Ellingson, Ltd.*

Ellingson & Ellingson, Ltd.

Edina, Minnesota

February 23, 2006

**AEGIS INVESTMENTS, INC.**  
**COMPUTATION OF NET CAPITAL**  
**As of December 31, 2005**

**NET CAPITAL**

Stockholders' Equity	\$ 75,783	
Additions:		
Subordinated loans	<u>                    </u>	\$ 75,783
Deductions:		
Non-allowable items:		
Non-allowable accounts receivable	992	
Property and equipment net of accumulated depreciation	<u>163</u>	
		<u>1,155</u>
<b>Net Capital Before Haircuts on Securities Positions</b>		<u>74,628</u>

Haircuts on Securities - not already deducted		
Net Capital		<u><u>\$ 74,628</u></u>

**BASIC CAPITAL REQUIREMENT**

Net capital	\$ 74,628
Minimum net capital required	<u>5,000</u>
Excess Net Capital	<u><u>\$ 69,628</u></u>

**AGGREGATE INDEBTEDNESS**

Accounts payable and accrued expenses	\$ 1,804
Accrued commissions	<u>27,232</u>
	<u><u>\$ 29,036</u></u>

<b>RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL</b>	<u><u>38.9%</u></u>
---	---------------------

**RECONCILIATION OF NET CAPITAL**

Net Capital, as reported in Company's Part IIA	
FOCUS report	\$ 92,012
Audit adjustments made for the following:	
Accrue for income taxes payable	(1,320)
Adjust commissions payable	(16,064)
Adjusted Net Capital	<u><u>\$ 74,628</u></u>

The accompanying notes are an integral part of these financial statements.

**AEGIS INVESTMENTS, INC.  
COMPUTATION FOR DETERMINATION OF  
RESERVE REQUIREMENTS UNDER RULE 15c3-3  
As Of December 31, 2005**

Pursuant to Rule 15c3-3(k)(2)(B), the Company is exempt from the reserve requirement.

**INFORMATION RELATING TO THE POSSESSION OR  
CONTROL REQUIREMENT UNDER RULE 15c3-3  
As Of December 31, 2005**

The Company was in compliance with the exemptive provisions of SEC Rule 15c3-3 as of December 31, 2005.